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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001979

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SUBJECT: OLMERT'S COS DISCUSSES COALITION NEGOTIATIONS

Classified By: Ambassador Richard H. Jones; Reasons: 1.4 (B and D).

1. (C) Summary: In a meeting with the Ambassador and DCM on June 18, PM Olmert's chief of staff, Yoram Turbowicz, confirmed ongoing talks with the ultra-orthodox United Torah Judaism (UTJ) party to join the coalition. He said that such a step would provide cover for the other main religious party, Shas, to support convergence as well as allow Olmert to consider bringing the left-leaning Meretz Party into the government without offending orthodox Jewish voters. After describing negotiations with Labor, Turbowicz proudly noted that the new government is pledged to budgetary and fiscal discipline and that this had been achieved at a relatively low cost. He added that an agreement with UTJ would be a bit of an exception to this rule. During the discussion, Turbowicz outlined his experience studying and working in the United States and provided other biographic information. The Ambassador's points on PM Olmert's visit to Washington, the Agreement on Movement and Access, the Magen David Adom, and anti-trafficking efforts are reported septel. End summary.

Ongoing Coalition Talks: Prospects, History, and Costs

2. (C) In response to a question from the Ambassador, Turbowicz said efforts to enlarge the coalition government are "not completely finished." He predicted that UTJ will join the government in the near future and receive the Social Welfare ministry currently being held in reserve by PM Olmert. He described such a step as "very important," saying it would provide cover for Shas to support convergence as well as allow Olmert to consider bringing Meretz into the government -- at the minor expense of one ministry from Kadima -- without offending orthodox Jewish voters. When asked by the Ambassador about the Shas position on convergence, Turbowicz claimed that the party has "no real reservations, despite what was in the press." Shas had agreed to join the coalition on the basis of Olmert's election-night speech, he maintained. While Kadima had fended off more far-reaching proposals from Labor, it had also made clear to Shas that there will be "no fooling around" with convergence (which Turbowicz calls the "realignment plan").

3. (C) Turbowicz described his experience as Kadima's chief negotiator in some detail. He said that PM Olmert's focus had been on Labor from the beginning, but the PM had insisted on keeping all options open, obtaining reluctant agreement from Labor that they would still serve in the government if Yisrael Beiteinu joined. Turbowicz expressed no regret that Yisrael Beiteinu leader Avigdor Lieberman had remained in the opposition, saying that "it would have been a difficult cohabitation" with Labor. He noted that the Labor negotiator, David Liba'i, is a personal friend, which allowed for rapid completion of coalition talks. Turbowicz admitted that Kadima had leaked news of parallel discussions with other parties to increase the pressure on Labor. He described negotiations with the Pensioner Party as "relatively easy."

4. (C) Turbowicz expressed satisfaction that the cost of the coalition had been -- in Israeli terms -- extremely low. He lauded the new government's commitment to maintaining budgetary and fiscal discipline, saying the lack of expensive concessions during coalition talks resulted in "one of the cheapest governments in recent history." He admitted that the exception to this rule would be an agreement with UTJ, which would require a more "generous" outlay of public funding in comparison to the number of votes it will bring to the coalition.

Bio Notes

5. (C) Turbowicz said that he had spent four years in the United States (1986-90), first as a doctoral student at Harvard on an ITT (later Fulbright) scholarship, and then at a private law firm in New York City. His specialty was international trade and contract law. He claimed that the experience "really changed my life in a profound manner." Turbowicz said that he had never really considered government service until 1990, when the minister of trade pressed him to become his legal adviser. Turbowicz accepted the position

under three conditions: the ministry had to air-condition his office, start a legal library, and ship his law books from New York to Jerusalem. In 1992 Turbowicz began what was originally conceived as a temporary appointment to head the GOI's small antitrust office. After a number of initial successes, he stayed in the job for 5-6 years. He speaks excellent English, but occasionally refers to Hebrew terms when discussing technical political issues. Turbowica is extremely affable with a well-developed sense of humor.

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JONES